

This Page Is Inserted by IFW Operations
and is not a part of the Official Record

BEST AVAILABLE IMAGES

Defective images within this document are accurate representations of the original documents submitted by the applicant.

Defects in the images may include (but are not limited to):

- BLACK BORDERS
- TEXT CUT OFF AT TOP, BOTTOM OR SIDES
- FADED TEXT
- ILLEGIBLE TEXT
- SKEWED/SLANTED IMAGES
- COLORED PHOTOS
- BLACK OR VERY BLACK AND WHITE DARK PHOTOS
- GRAY SCALE DOCUMENTS

IMAGES ARE BEST AVAILABLE COPY.

**As rescanning documents *will not* correct images,
please do not report the images to the
Image Problem Mailbox.**

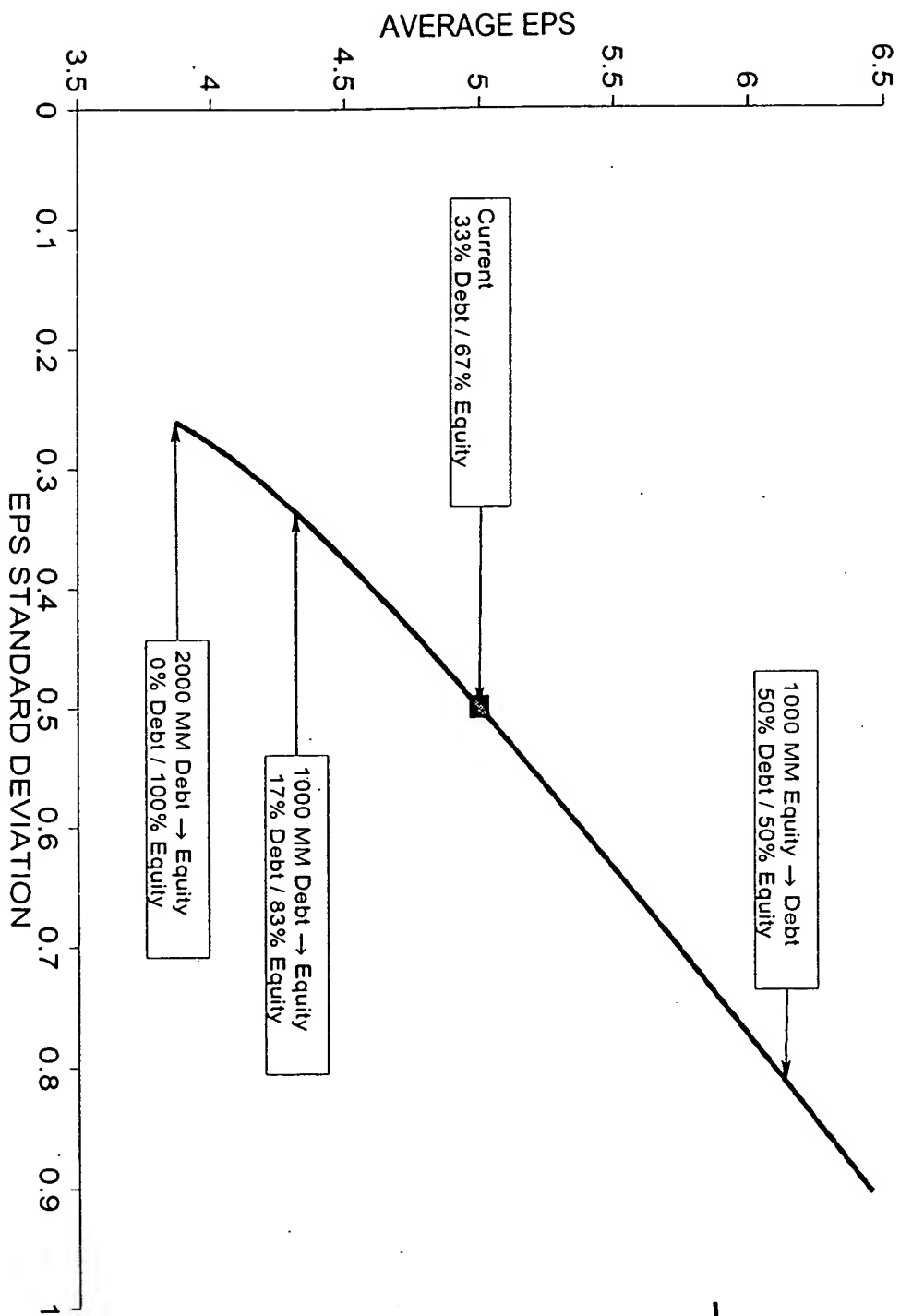


Fig. 1

Fig. 2

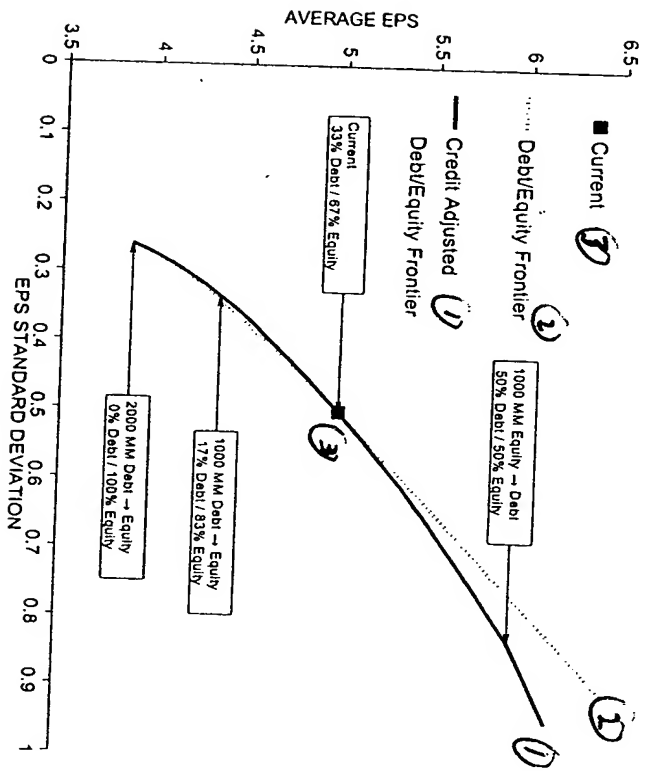


Fig. 3

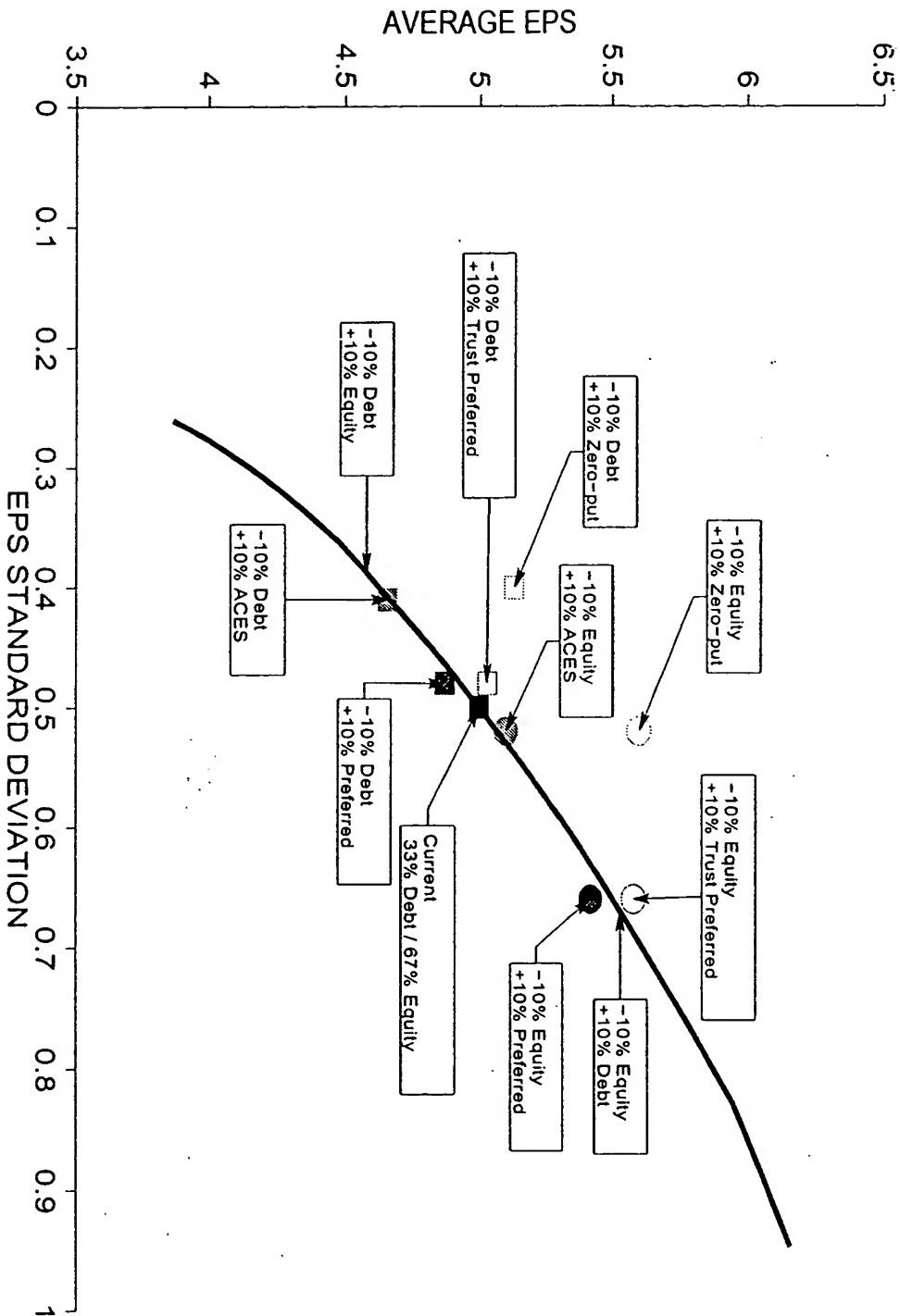
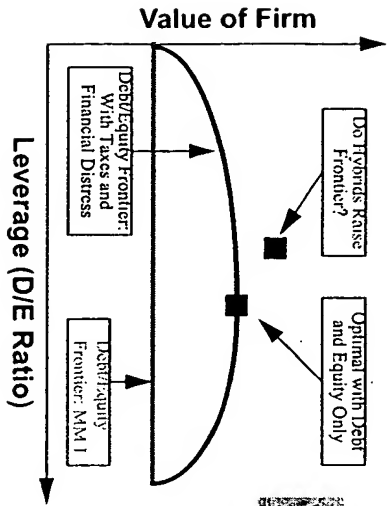


Fig. 4

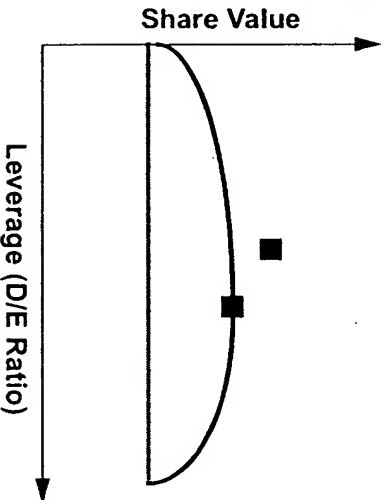
1. Value of the Firm Framework:

- Not from common shareholders' perspective.
- No explicit tradeoff between benefit and risk.
- Hard to quantify.

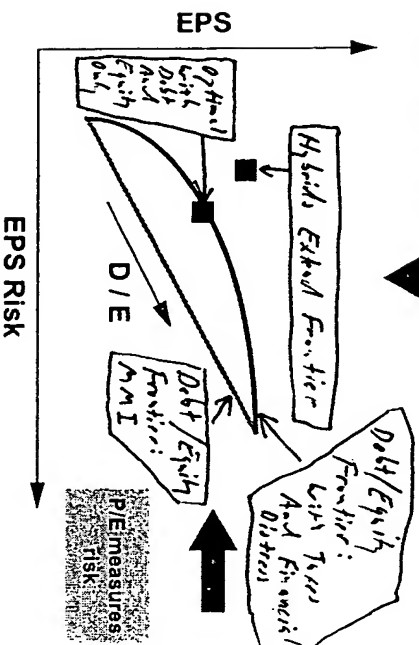


2. Shareholders' Perspective:

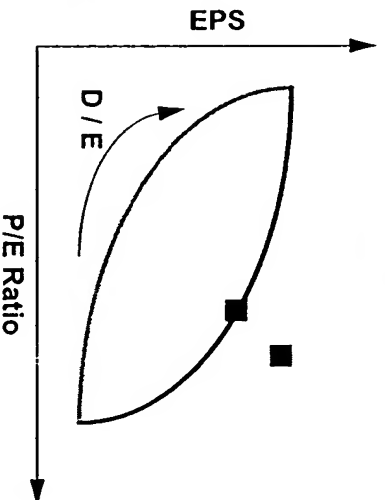
- Value of Firm = Shareholders' value + Other Stakeholders' value.
- Management acts in interest of shareholders to maximize per share value (or share price).
- MM I: Share price independent of leverage.



EQUIVALENT



Price = P/E x EPS



4. EPS Framework:

- Common shareholders' perspective.
- Explicit tradeoff between benefit and risk.
- Easy to quantify.

3. Explicit Trade-off Perspective:

- Share Price = $\text{EPS} \times \text{P/E Ratio}$.
- Increasing leverage increases EPS but decreases P/E.
- MM I: EPS and P/E exactly inversely proportional.

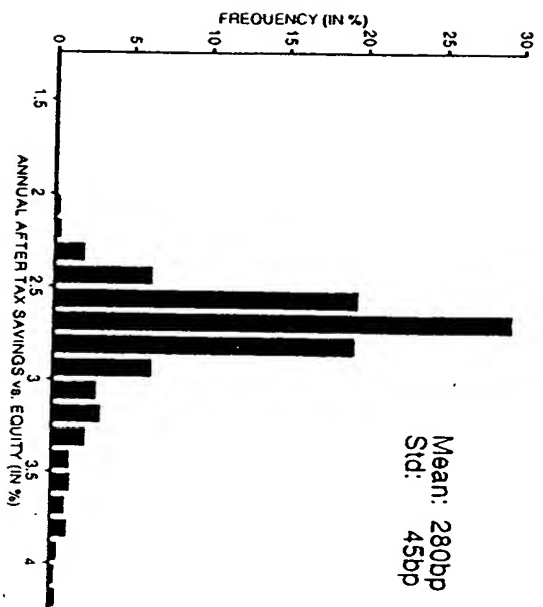


Fig. 5

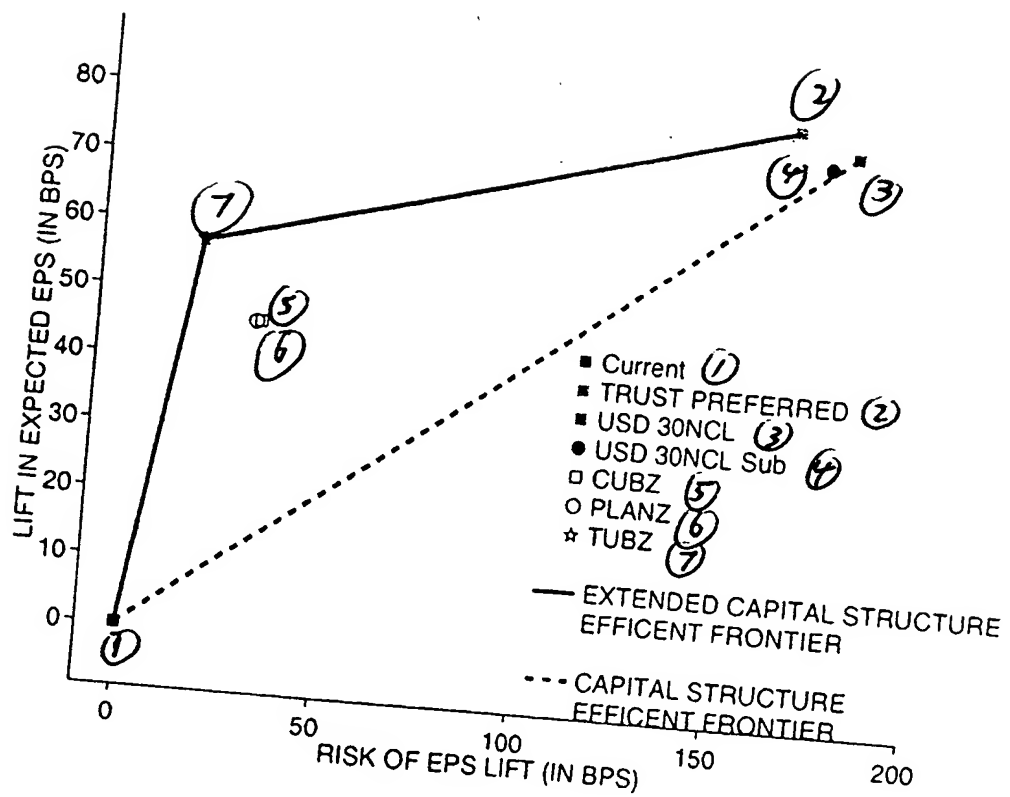


Fig. 6

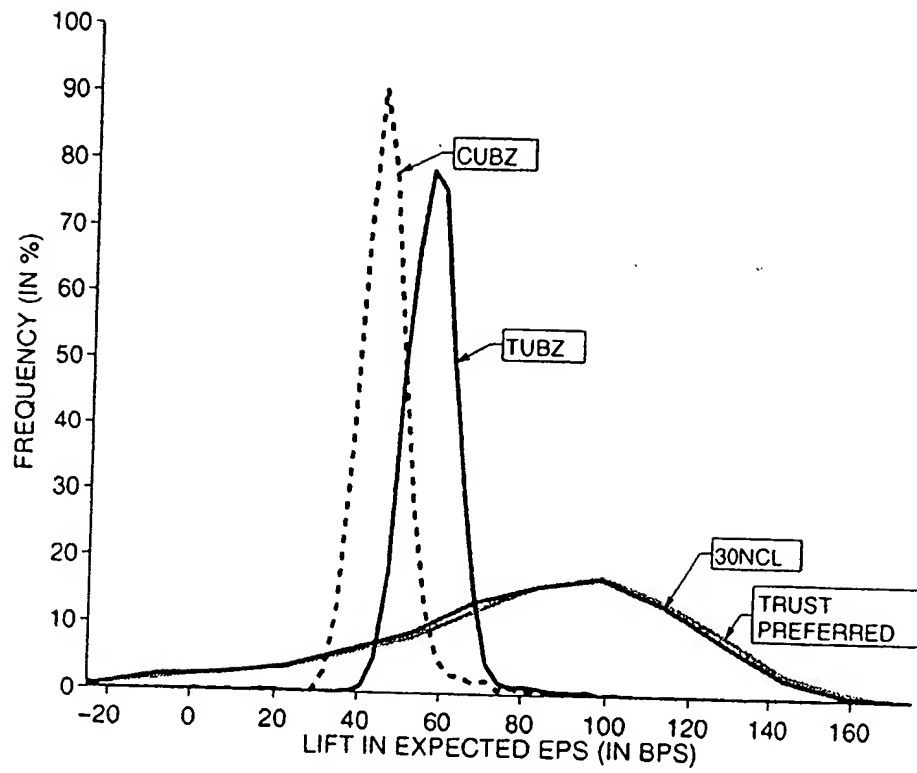


Fig. 7

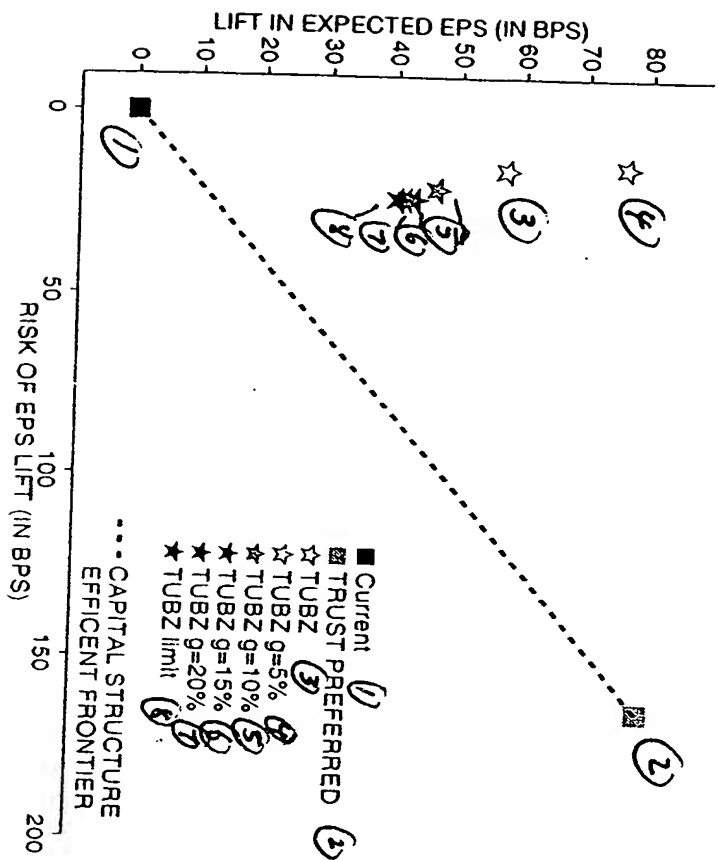


Fig. 8

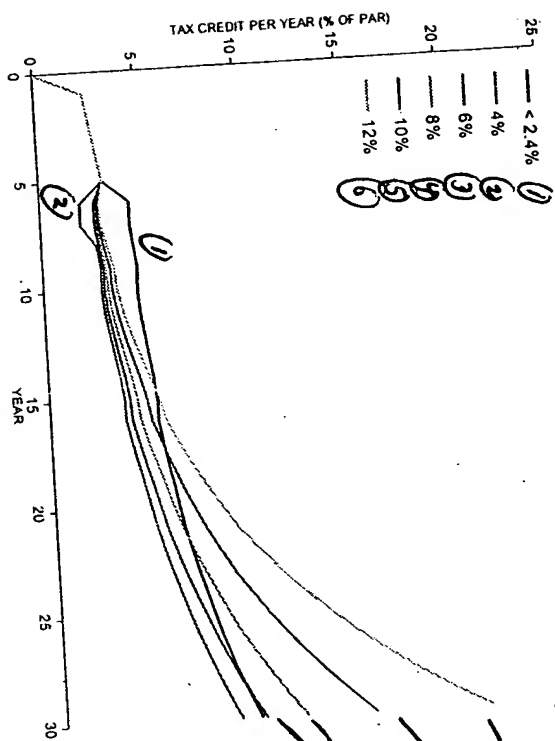


Fig. 9

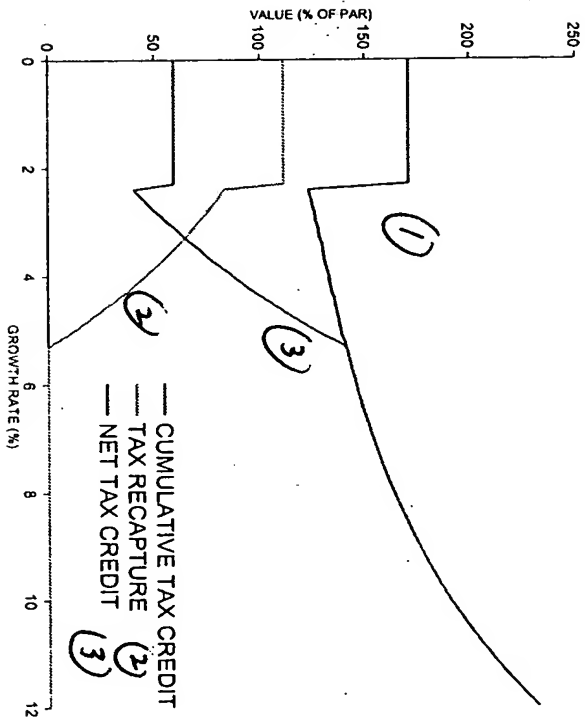


Fig. 10

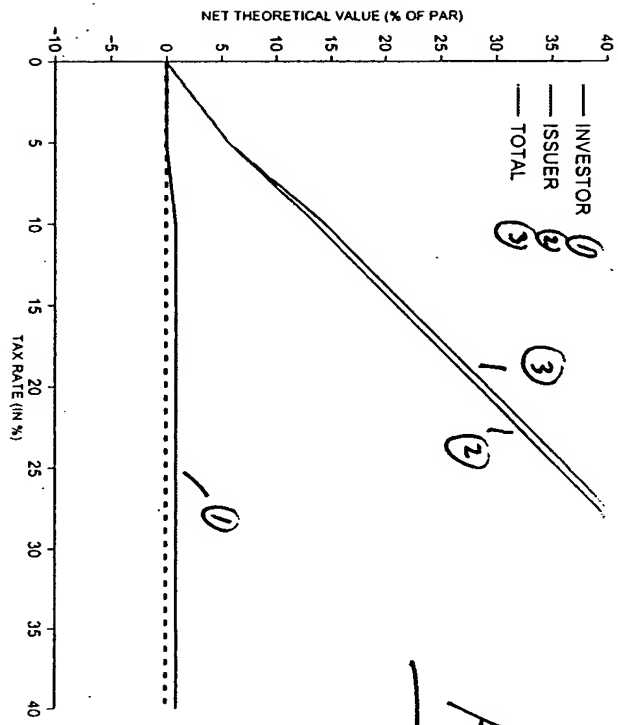


Fig. 11

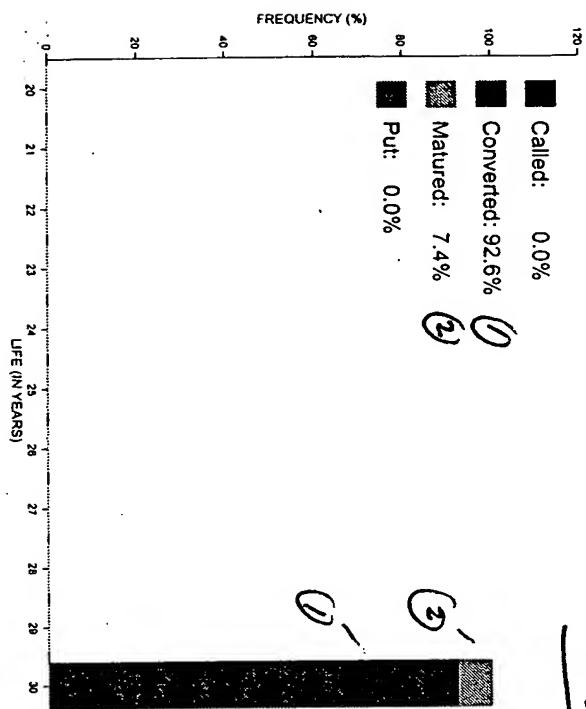


Fig. 12

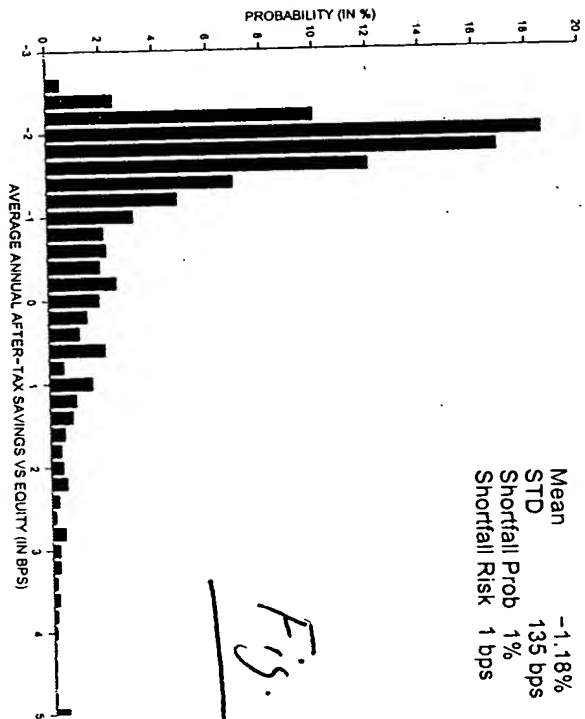


Fig. 13

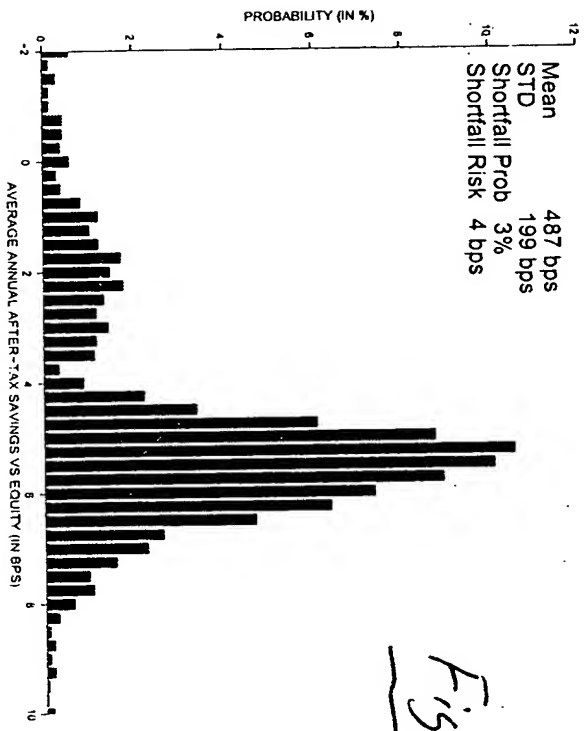
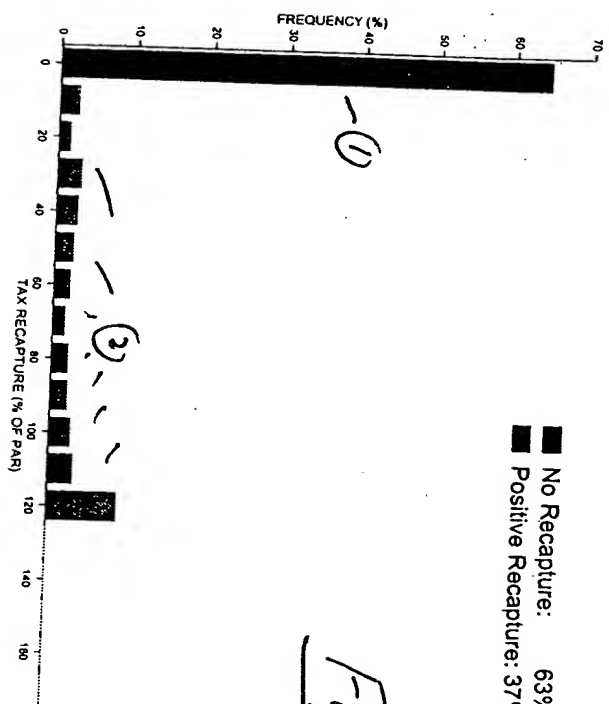


Fig. 14



■ No Recapture: 63% (1)
 ■ Positive Recapture: 37% (2)

Fig. 15

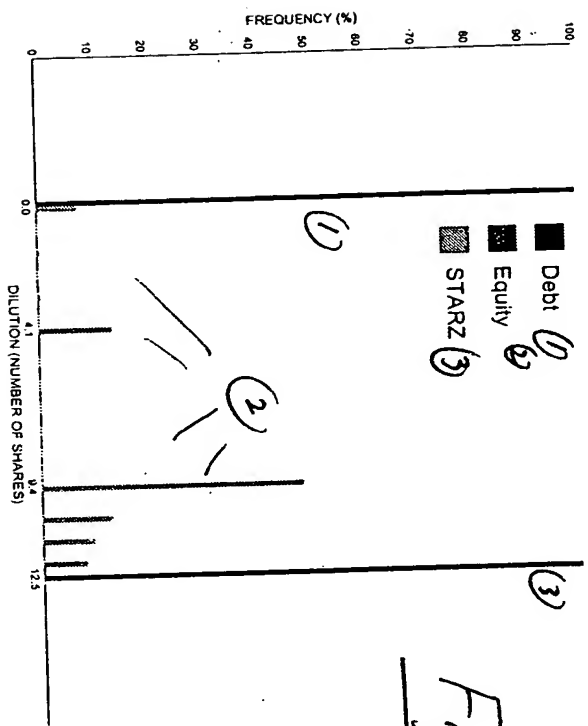
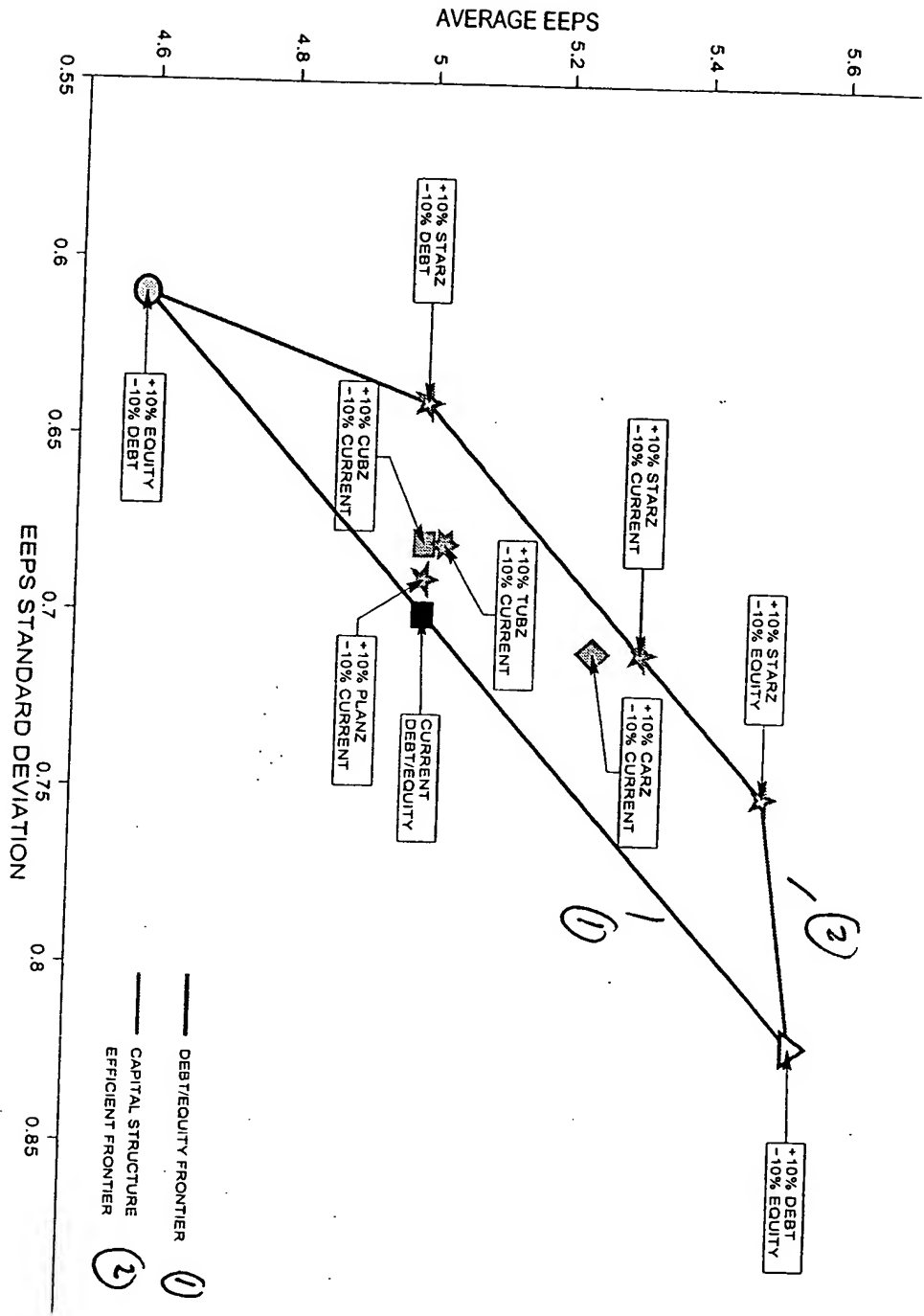


Fig. 16

Fig. 17



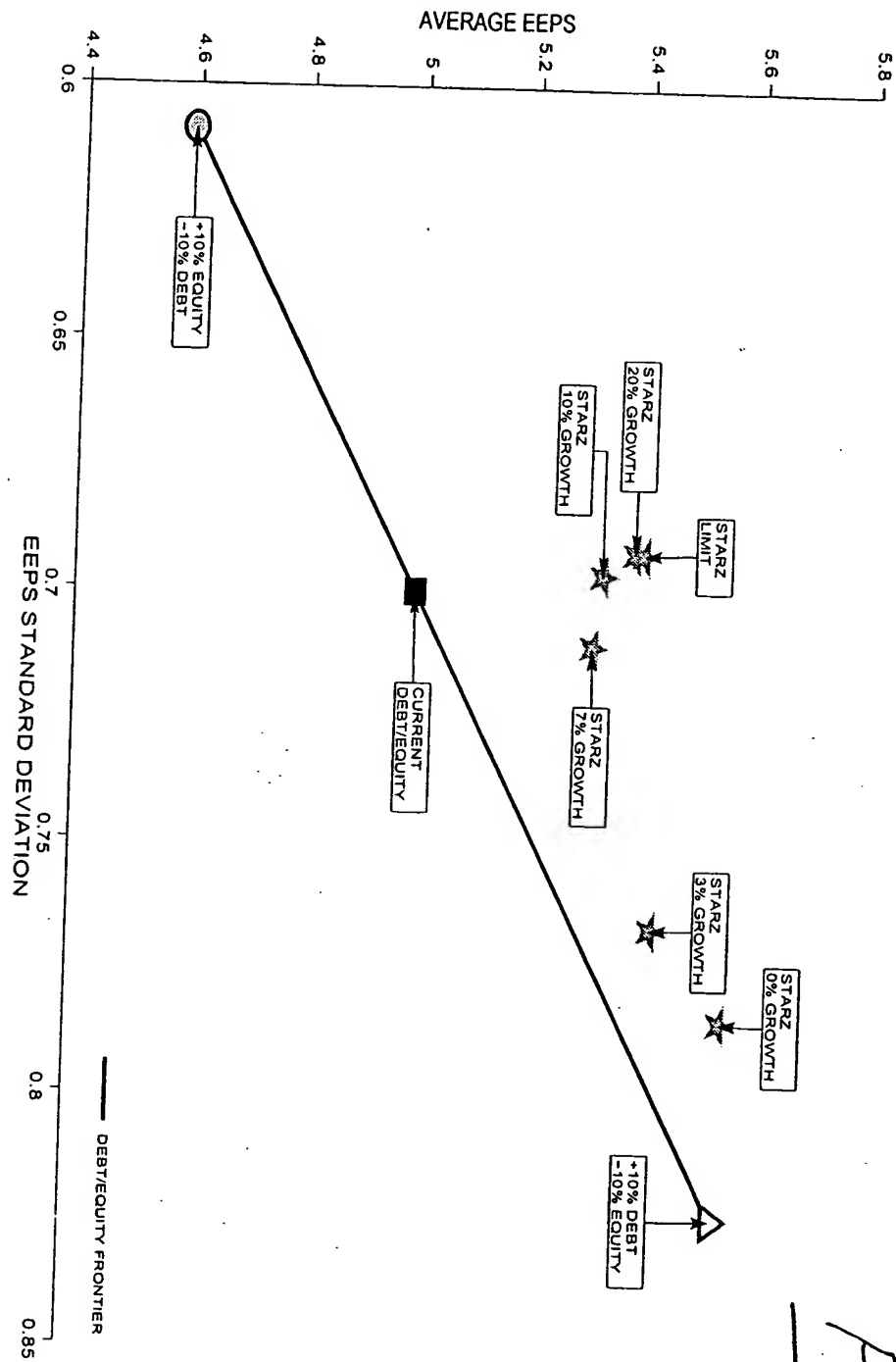


Fig. 18